

Hearing Date: January 17, 2008
Hearing Time: 10 am

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:)	
)	Chapter 11
DELPHI CORPORATION, <i>et al.</i> ,)	
)	Case No. 05-44481 (RDD)
Debtors.)	(Jointly Administered)
)	

PRELIMINARY OBJECTION OF UAW TO DEBTORS'
PROPOSED MANAGEMENT COMPENSATION PLAN

TO THE HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE:

The International Union, United Automobile, Aerospace and Agricultural
Implement Workers of America ("UAW"), by its undersigned counsel, submits this preliminary
objection to the Management Compensation Plan ("MCP") set forth in Article VII and Exhibit
7.8 of the Debtors' First Amended Joint Plan of Reorganization ("POR") and described in the
Debtors' First Amended Disclosure Statement With Respect To First Amended Joint Plan Of

Reorganization Of Delphi Corporation And Certain Affiliates, Debtors And Debtors-In-Possession (“Disclosure Statement”). In support of its preliminary objection, the UAW states:

BACKGROUND

1. On December 10, 2007, the Court approved the Disclosure Statement and set January 11, 2008 as the deadline for objections to the POR. The UAW does not oppose confirmation of the POR, except to the extent the POR contains the MCP.

2. On December 14, 2007, the UAW propounded discovery requests on the Debtors in connection with its objection to the MCP. Debtors responded that they would only evaluate the discovery requests in connection with reviewing the UAW’s objection. Accordingly, the UAW now files this preliminary objection to the MCP. The UAW reserves the right, after taking discovery, to supplement this preliminary objection with additional legal and factual grounds for its objection.

PRELIMINARY OBJECTION

3. The Debtors have included the MCP in the POR proposed for confirmation. As set forth in the Disclosure Statement, the proposed MCP includes, among other things, cash and equity emergence awards to be issued on the POR’s Effective Date, as well as other compensation to be paid to executives after the Effective Date, including a long-term incentive plan that purports to reserve 8% of Reorganized Delphi’s fully diluted new common stock for annual grants to executives covered by the MCP. *See* Disclosure Statement at DS-188.

4. Among other possible grounds that the UAW may assert for its objection after taking discovery, the UAW objects on the ground that the POR, to the extent it contains the MCP, fails to satisfy Section 1129(a)(3) of the Bankruptcy Code. Section 1129(a)(3) provides that a court shall only confirm a plan if it “has been proposed in good faith and not by any means forbidden by law.” 11 U.S.C. §1129(a)(3). This “good faith” standard is not simply a test of the

plan proponent's state of mind; courts have interpreted Section 1129(a)(3) as requiring that the proposed plan be fundamentally fair. *See, e.g., In re Tillotson*, 266 B.R. 565, 571 (Bankr. W.D.N.Y. 2001); *see also Jorgenson v. Fed. Land Bank*, 66 B.R. 104, 109 (B.A.P. 9th Cir. 1986).

5. The MCP is not reasonable and is not fundamentally fair to the UAW-represented employees who made substantial sacrifices for the Debtors' reorganization. In particular, the MCP violates the "Equivalence of Sacrifice" provision of the UAW-Delphi-GM Memorandum of Understanding, which the Court approved on July 19, 2007 [Docket No. 8693].

6. The UAW hereby asserts its right to take discovery concerning its objection to the MCP and, after taking such discovery, to file a complete, final objection.

Dated: December 17, 2007

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CERTIFICATE OF SERVICE

I hereby certify that on December 17, 2007, I caused a true and correct copy of the foregoing Preliminary Objection of UAW to Management Compensation Plan to be duly served by e-mail (to those with e-mail addresses indicated) and First-Class mail upon:

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